

CITY OF CLIO

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

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City of Clio

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Mortimore	Mayor	Jan 2018
Jared Dodson	Council Member	Jan 2016
Cathy Tuttle	Council Member	Jan 2018
Linda Whited	Council Member	Jan 2016
Janet Mortimore	City Clerk/Treasurer	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Mortimore	Mayor	Jan 2018
Eric Purvis	Council Member	Jan 2020
Cathy Tuttle	Council Member	Jan 2018
Linda Whited	Council Member	Jan 2020
Janet Mortimore	City Clerk/Treasurer	Indefinite

City of Clio

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Clio for the period April 1, 2015 through March 31, 2016. The City of Clio's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.


5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Clio, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Clio and other parties to whom the City of Clio may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clio during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Faller, Kincheloe & Co, PLC". The signature is written in a cursive, flowing style.

Faller, Kincheloe & Co, PLC

Des Moines, Iowa
August 5, 2016

Detailed Recommendations

CITY OF CLIO

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Investing – recordkeeping, investing, custody or investments and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Payroll – recordkeeping, preparation and distribution.
6. Utilities – Depositing and posting.
7. Financial reporting – preparing and reconciling.
8. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Deposits and Investments – The City has not adopted an official investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (C) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

No evidence could be located that the fiscal year 2016 budget was passed by resolution as required by Chapter 384.16 of the Code of Iowa.

CITY OF CLIO

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, the City's budget should be passed by resolution as required by Chapter 384.16 of the Code of Iowa.

- (D) Payroll – The City Clerk's salary was not documented in the City Council minutes.

No documentation could be located which establishes the Mayor and City Council salaries by ordinance, as required by Chapter 372.13(8) of the Code of Iowa.

Recommendation – Salaries of employees should be documented in the City Council minutes. Also, the Mayor and City Council salary should be established by ordinance as required by Chapter 372.13(8) of the Code of Iowa.

- (E) City Council Minutes/Agenda – Chapter 372.13(6) of the Code of Iowa requires the posting of all City Council proceedings, including total disbursements from each fund and a summary of all receipts be posted within fifteen days of the meeting. We noted that total disbursements from each fund and a summary of all receipts were not posted by the City for all of the meetings tested.

The City does not post an agenda for the City Council meetings, as required by Chapter 21.4 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and post total disbursements from each fund and a summary of all receipts within fifteen days of the meeting, as required by the Code of Iowa. In addition, the City should post an agenda for the City Council meetings, as required by the Code of Iowa.

- (F) Public Notices – For postings of public notices, the City has not documented three public places in the City which have been permanently designated by ordinance, as required by Chapters 362.3 and 372.13(6) of the Code of Iowa.

Recommendation – The City should implement procedures to ensure the City documents three public places by ordinance for postings of public notices, as required by Chapters 362.3 and 372.13(6) of the Code of Iowa.

CITY OF CLIO

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (G) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank account.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (H) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jared Dodson, Council Member Owner of Dodson Auto	Supplies	\$ 10
Kari Dodson, Spouse of Council Member Sole proprietor	Mowing	\$ 1,600

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions with Jared and Kari Dodson do not appear to represent conflicts of interest since the total transactions were less than \$2,500 during the fiscal year.

- (I) Clerk's Report – A Clerk's report is performed by the City Clerk on a quarterly basis. To provide increased accountability and control, a Clerk's report should be completed on a monthly basis.

Recommendation – The City should complete a Clerk's report on a monthly basis.